

CONTRACT FOR Third Party Administration of Workers Compensation, General Liability and Automobile claims services.

This contract is dated, made, and entered into as of the 1st day of November, 2014, by the City of Durham ("City"), a North Carolina municipal corporation, and CorVel Enterprise Comp, Inc. ("Contractor"), *a corporation organized and existing under the laws of Delaware*;

Sec. 1. Background and Purpose. As a self-insured entity, the City is obligated to provide administration services for workers' compensation and auto/general liability claims and has historically contracted with external firms called "Third Party Administrators" ("TPAs") to provide this service.

Sec. 2. Services and Scope to be Performed. Presumption that Duty is Contractor's. Under this contract, the Contractor shall perform the services and functions described in the attached Exhibit A and Exhibit A-1. In this contract, "Work" means the services that the Contractor is required to perform pursuant to this contract and all of the Contractor's duties to the City that arise out of this contract. Unless the context requires otherwise, if this contract states that a task is to be performed or that a duty is owed, it shall be presumed that the task or duty is the obligation of the Contractor.

Sec. 3. Reserved.

Sec. 4. Complete Work without Extra Cost. Except to the extent otherwise specifically stated in this contract, the Contractor shall obtain and provide, without additional cost to the City, all labor, materials, equipment, transportation, facilities, services, permits, and licenses necessary to perform the Work.

Sec. 5. Contractor's Billings to City. Compensation. The Contractor shall send invoices to the City on a monthly basis for the amounts to be paid pursuant to this contract. Each invoice shall document, to the reasonable satisfaction of the City: such information as may be reasonably requested by the City. Within twenty days after the City receives an invoice, the City shall send the Contractor a check in payment for all undisputed amounts contained in the invoice.

The City shall pay the Contractor for the Work following a review of fees and expenses. The fee will be paid on a monthly basis at the rates outlined in Exhibit B. The City shall not be obligated to pay the Contractor any payments, fees, expenses, or compensation other than those authorized by this section.

Sec. 6. Prompt Payment to Subcontractors. (a) Within 7 days of receipt by the Contractor of each payment from the City under this contract, the Contractor shall pay all Subcontractors (which term includes subconsultants and suppliers) based on work completed or service provided under the subcontract. Should any payment to the Subcontractor be delayed by more than 7 days after receipt of payment by the Contractor from the City under this contract, the Contractor shall pay the Subcontractor interest, beginning on the 8th day, at the rate of 1% per month or fraction thereof on such unpaid balance as may be due. By appropriate litigation, Subcontractors shall have the right to enforce this subsection (a) directly against the Contractor, but not against the City of Durham.

(b) If the individual assigned to administer this contract for the City (in this section, titled "Prompt Payment to Subcontractors," he or she will be referred to as the "Project Manager") determines that it is appropriate to enforce subsection (a) in this manner, the City may withhold from progress or final payments to the Contractor the sums estimated by the Project Manager to be

(i) the amount of interest due to the Subcontractor under subsection (a), and/or

(ii) the amounts past-due under subsection (a) to the Subcontractor but not exceeding 5% of the payment(s) due from the City to the Contractor.

This subsection (b) does not limit any other rights to withhold payments that the City may have.

(c) Nothing in this section (titled "Prompt Payment to Subcontractors") shall prevent the Contractor at the time of invoicing, application, and certification to the City from withholding invoicing, application, and certification to the City for payment to the Subcontractor for unsatisfactory job progress; defective goods, services, or construction not remedied; disputed work; third-party claims filed or reasonable evidence that such a claim will be filed; failure of the subcontractor to make timely payments for labor, equipment, and materials; damage to the Contractor or another subcontractor; reasonable evidence that the subcontract cannot be completed for the unpaid balance of the subcontract sum; or a reasonable amount for retainage not to exceed 10%.

(d) The Project Manager may require, as a prerequisite to making progress or final payments, that the Contractor provide statements from any Subcontractors designated by the Project Manager regarding the status of their accounts with the Contractor. The statements shall be in such format as the Project Manager reasonably requires, including notarization if so specified.

Sec. 7. Insurance.

Contractor agrees to maintain, on a primary basis and at its sole expense, at all times during the life of this Contract the following coverage's and limits. The requirements contained herein, as well as City's review or acceptance of insurance maintained by Contractor is not intended to and shall not in any manner limit or qualify the liabilities or obligations assumed by Contractor under this Contract.

Commercial General Liability – Combined single limit of no less than \$1,000,000 each occurrence and \$2,000,000 aggregate. Coverage shall not contain any endorsement(s) excluding nor limiting Product/Completed Operations, Contractual Liability or Cross Liability.

Automobile Liability – Limits of no less than \$1,000,000 Combined Single Limit. Coverage shall include liability for Owned, Non-Owned and Hired automobiles. In the event Contractor does not own automobiles, Contractor agrees to maintain coverage for Hired and Non-Owned Auto Liability, which may be satisfied by way of endorsement to the Commercial General Liability policy or separate Auto Liability policy. Automobile coverage is only necessary if vehicles are used in the provision of services under this Contract and/or are brought on a City of Durham site.

Worker's Compensation & Employers Liability – Contractor agrees to maintain Worker's Compensation Insurance in accordance with North Carolina General Statute Chapter 97 and with Employer Liability limits of no less than \$1,000,000 each accident, each employee and policy limit. This policy must include a Waiver of Subrogation.

Additional Insured – Contractor agrees to endorse the City as an Additional Insured on the Commercial General Liability. The Additional Insured shall read 'City of Durham as its interest may appear'.

Certificate of Insurance – Contractor agrees to provide City of Durham a Certificate of Insurance evidencing that all coverage's, limits and endorsements required herein are maintained and in full force and effect, and Certificates of Insurance shall provide a minimum thirty (30) day endeavor to notify, when available, by Contractor's insurer. If Contractor receives a non-renewal or cancellation notice from an insurance carrier affording coverage required herein, or receives notice that coverage no longer complies with the insurance requirements herein, Contractor agrees to notify the City within five (5) business days with a copy of the non-renewal or cancellation notice, or written specifics as to which coverage is no longer in compliance. The Certificate Holder address should read:

City of Durham
Attn: Finance Director
101 City Hall Plaza
Durham, NC 27701

Umbrella or Excess Liability – Contractor may satisfy the minimum liability limits required above under an Umbrella or Excess Liability policy. There is no minimum Per Occurrence limit of liability under the Umbrella or Excess Liability, however, the Annual Aggregate limits shall not be less than the highest 'Each Occurrence' limit for required policies. Contractor agrees to endorse City of Durham as an 'Additional Insured' on the Umbrella or Excess Liability, unless the Certificate of Insurance states the Umbrella or Excess Liability provides coverage on a 'Follow-Form' basis.

All insurance companies must be authorized to do business in North Carolina and be acceptable to the City of Durham's Risk Manager.

Sec. 8. Performance of Work by City. If the Contractor fails to perform the Work in accordance with the schedule referred to in Exhibit A and A-1 above, the City may, in its discretion, in order to bring the project closer to the schedule, perform or cause to be performed some or all of the Work, and doing so shall not waive any of the City's rights and remedies. Before doing so, the City shall give the Contractor notice of its intention. The Contractor shall reimburse the City for additional costs incurred by the City in exercising its right to perform or cause to be performed some or all of the Work pursuant to this section.

Sec. 9. Exhibits. The following exhibits are made a part of this contract:

Exhibit A and A-1 - Description of Services
Exhibit B - Pricing.
Exhibit C Contractor's CareMC License Agreement
Exhibit D HIPAA Business Associate Agreement

In case of conflict between an exhibit and the text of this contract excluding the exhibit, the text of this contract shall control.

Sec. 10. Notice. (a) All notices and other communications required or permitted by this contract shall be in writing and shall be given either by personal delivery, fax, UPS, Federal Express, or certified United States mail, return receipt requested, addressed as follows. The parties are requested to send a copy by email.

To the City:

City of Durham
Finance Department, Risk Management
Attn: Glenn LeGrande, Risk Manager
101 City Hall Plaza, Annex
Durham, NC 27701-3329
The fax number is (919) 560-1151
Email: Glenn.LeGrande@durhamnc.gov

To the Contractor:

CorVel Corporation
2010 Main Street Suite 600
Irvine CA 92614
Attn: Sharon O'Connor Director of Legal Services
The fax number is (949) 851-1469
Email: Corporate_Legal@corvel.com

(b) Change of Address. Date Notice Deemed Given. A change of address, fax number, or person to receive notice may be made by either party by notice given to the other party. Any notice or other communication under this contract shall be deemed given and sent at the time of actual delivery, if it is personally delivered or sent by fax. If the notice or other communication is sent by United States mail, it shall be deemed given upon the third calendar day following the day on which such notice or other communication is deposited with the United States Postal Service or upon actual delivery, whichever first occurs.

Sec. 11. Indemnification. (a) To the maximum extent allowed by law, the Contractor shall defend, indemnify, and save harmless Indemnitees from and against all third party Charges that arise in any manner from, in connection with, or out of this contract as a result of acts or omissions of the Contractor or subcontractors or anyone directly or indirectly employed by any of them or anyone for whose acts or omissions any of them may be liable. In performing its duties under this subsection "a," the Contractor shall at its sole expense defend Indemnitees with legal counsel reasonably acceptable to City. (b) Definitions. As used in subsections "a" above and "c" below -- "Charges" means claims, judgments, costs, damages, losses, demands, liabilities, duties, obligations, fines, penalties, royalties, settlements, and expenses (included without limitation within "Charges" are (1) interest and reasonable attorneys' fees assessed as part of any such item, and (2) amounts for alleged violations of regulations, ordinances, rules, or orders -- including but not limited to any such violation that arises out of the handling, or delivery of the items that are the subject of this contract). "Indemnitees" means City and its officers, officials, independent contractors, agents, and employees, excluding the Contractor. (c) Other Provisions Separate. Nothing in this section shall affect any warranties in favor of the City that are otherwise provided in or arise out of this contract. This section is in addition to and shall be construed separately from any other indemnification provisions that may be in this contract. (d) Survival. This section shall remain in force despite termination of this contract (whether by expiration of the term or otherwise) and termination of the services of the Contractor under this contract. (e) Limitations of the Contractor's Obligation. Notwithstanding that the foregoing, Contractor shall not indemnify or hold harmless Indemnitees against any liability with respect to third party Charges arising as a result of the any intentional or negligent act, omissions, or errors hereunder this Agreement.

The parties' indemnification obligations under this Section 11 are contingent upon: (i) the indemnified party giving prompt written notice to the indemnifying party of any claim under this Section (provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent, and only to the extent, that the indemnifying party shall have been actually prejudiced as a result of such failure), (ii) the indemnifying party having the right, but not the obligation, to assume sole control of the defense or settlement of the

claim, and (iii) at the indemnifying party's request and expense, the indemnified party cooperating in the investigation and defense of such claim(s). If the indemnifying party assumes the defense of any claim hereunder, the indemnified party shall be entitled to participate in (but not control) such defense and to retain its own counsel, at its own expense. The indemnifying party shall not settle or consent to an adverse judgment in any such claim that adversely affects the rights or interests of the indemnified party or imposes additional obligations on the indemnified party, without the prior express written consent of the indemnified party.

Sec. 12. E-Verify Compliance. The contractor represents and covenants that the contractor and its subcontractors comply with the requirements of Article 2 of Chapter 64 of the North Carolina General Statutes (NCGS). In this E-Verify Compliance section, "contractor," "its subcontractors," and "comply" shall have the meanings intended by NCGS 160A-20.1(b). The City is relying on this section in entering into this contract. The parties agree to this section only to the extent authorized by law. If this section is held to be unenforceable or invalid in whole or in part, it shall be deemed amended to the extent necessary to make this contract comply with NCGS 160A-20.1(b).

Sec. 13. Miscellaneous

(a) Choice of Law and Forum; Service of Process. (i) This contract shall be deemed made in Durham County, North Carolina. This contract shall be governed by and construed in accordance with the law of North Carolina. The exclusive forum and venue for all actions arising out of this contract shall be the North Carolina General Court of Justice, in Durham County. Such actions shall neither be commenced in nor removed to federal court. This subsection (a) shall not apply to subsequent actions to enforce a judgment entered in actions heard pursuant to this subsection. (ii) If the Contractor is not a natural person (for instance, the Contractor is a corporation or limited liability company), this subsection (ii) applies. "Agent for Service of Process" means every person now or hereafter appointed by the Contractor to be served or to accept service of process in any State of the United States. Without excluding any other method of service authorized by law, the Contractor agrees that every Agent for Service of Process is designated as its non-exclusive agent for service of process, summons, and complaint. The Contractor will instruct each Agent for Service of Process that after such agent receives the process, summons, or complaint, such agent shall promptly send it to the Contractor. This subsection (ii) does not apply while the Contractor maintains a registered agent in North Carolina with the office of the N. C. Secretary of State and such registered agent can be found with due diligence at the registered office.

(b) Waiver. No action or failure to act by the City shall constitute a waiver of any of its rights or remedies that arise out of this contract, nor shall such action or failure to act constitute approval of or acquiescence in a breach thereunder, except as may be specifically agreed in writing.

(c) Performance of Government Functions. Nothing contained in this contract shall be deemed or construed so as to in any way estop, limit, or impair the City from exercising or performing any regulatory, policing, legislative, governmental, or other powers or functions.

(d) Severability. If any provision of this contract shall be unenforceable, the remainder of this contract shall be enforceable to the extent permitted by law.

(e) Assignment, Successors and Assigns. Without the City's written consent, the Contractor shall not assign (which includes to delegate) any of its rights (including the right to payment) or duties that arise out of this contract. The City Manager may consent to an assignment without action by the City Council. Unless the City otherwise agrees in writing, the Contractor and all assignees shall be subject to all of the City's defenses and shall be liable for all of the Contractor's duties that arise out of this contract and all of the City's claims that arise out of this contract. Without granting the Contractor the right to assign, it is agreed that the duties of the Contractor that arise out of this contract shall be binding upon it and its heirs, personal representatives, successors, and assigns.

(f) Compliance with Law. In performing all of the Work, the Contractor shall comply with all applicable law.

(g) Notice of City Policy. THE CITY OPPOSES DISCRIMINATION ON THE BASIS OF RACE AND SEX AND URGES ALL OF ITS CONTRACTORS TO PROVIDE A FAIR OPPORTUNITY FOR MINORITIES AND WOMEN TO PARTICIPATE IN THEIR WORK FORCE AND AS SUBCONTRACTORS AND VENDORS UNDER CITY CONTRACTS.

(h) EEO Provisions. During the performance of this Contract the Contractor agrees as follows: (1) The Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, political affiliation or belief, age, or handicap. The Contractor shall take affirmative action to insure that applicants are employed and that employees are treated equally during employment, without regard to race, color, religion, sex, national origin, political affiliation or belief, age, or handicap. Such action shall include but not be limited to the following: employment, upgrading, demotion, transfer, recruitment or advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Contractor shall post in

conspicuous places, available to employees and applicants for employment, notices setting forth these EEO provisions. (2) The Contractor shall in all solicitations or advertisement for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, political affiliation or belief, age, or handicap. (3) The Contractor shall send a copy of the EEO provisions to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding. (4) In the event of the Contractor's noncompliance with these EEO provisions, the City may cancel, terminate, or suspend this contract, in whole or in part, and the City may declare the Contractor ineligible for further City contracts. (5) Unless exempted by the City Council of the City of Durham, the Contractor shall include these EEO provisions in every purchase order for goods to be used in performing this contract and in every subcontract related to this contract so that these EEO provisions will be binding upon such subcontractors and vendors.

(i) SDBE. The Contractor shall comply with all applicable provisions of Article III of Chapter 18 of the Durham City Code (Equal Business Opportunities Ordinance), as amended from time to time. The failure of the Contractor to comply with that article shall be a material breach of contract which may result in the rescission or termination of this contract and/or other appropriate remedies in accordance with the provisions of that article, this contract, and State law. The Participation Plan submitted in accordance with that article is binding on the Contractor. Section 18-59(f) of that article provides, in part, "If the City Manager determines that the Contractor has failed to comply with the provisions of the Contract, the City Manager shall notify the Contractor in writing of the deficiencies. The Contractor shall have 14 days, or such time as specified in the Contract, to cure the deficiencies or establish that there are no deficiencies." It is stipulated and agreed that those two quoted sentences apply only to the Contractor's alleged violations of its obligations under Article III of Chapter 18 and not to the Contractor's alleged violations of other obligations.

(j) No Third Party Rights Created. This contract is intended for the benefit of the City and the Contractor and not any other person.

(k) Principles of Interpretation and Definitions. (1) The singular includes the plural and the plural the singular. The pronouns "it" and "its" include the masculine and feminine. References to statutes or regulations include all statutory or regulatory provisions consolidating, amending, or replacing the statute or regulation. References to contracts and agreements shall be deemed to include all amendments to them. The words "include," "including," etc. mean include, including, etc. without limitation. (2) References to a "Section" or "section" shall mean a section of this contract. (3) "Contract" and "Agreement," whether or not capitalized, refer to this instrument. (4) "Duties" includes obligations. (5) The word "person" includes natural persons, firms, companies, associations, partnerships, trusts, corporations, governmental agencies and units, and other legal entities. (6) The word "shall" is mandatory. (7) The word "day" means calendar day. (8) The word "Work" is defined in Section 2. (9) A definition in this contract will not apply to the extent the context requires otherwise.

(l) Modifications. Entire Agreement. A modification of this contract is not valid unless signed by both parties and otherwise in accordance with requirements of law. Further, a modification is not enforceable against the City unless it is signed by the City Manager, a deputy or assistant City Manager, or, in limited circumstances, a City department director. This contract contains the entire agreement between the parties pertaining to the subject matter of this contract. With respect to that subject matter, there are no promises, agreements, conditions, inducements, warranties, or understandings, written or oral, expressed or implied, between the parties, other than as set forth or referenced in this contract.

(m) City's Manager's Authority. To the extent, if any, the City has the power to suspend or terminate this contract or the Contractor's services under this contract, that power may be exercised by City Manager or a deputy or assistant City Manager without City Council action.

Sec. 14. Termination for Convenience ("TFC"). (a) *Procedure*. Without limiting any party's right to terminate for breach, the parties agree that the City may, without cause, and in its discretion, terminate this contract for convenience by giving the Contractor written notice that refers to this section. TFC shall be effective at the time indicated in the notice. (b) *Obligations*. Upon TFC, all obligations that are still executory on both sides are discharged except that any right based on prior breach or performance survives, and the indemnification provisions and the section of this contract titled Trade Secrets and Confidentiality, if any, shall remain in force. At the time of TFC or as soon afterwards as is practical, the Contractor shall give the City all Work, including partly completed Work. In case of TFC, the Contractor shall follow the City's instructions as to which subcontracts to terminate. (c) *Payment*. The City shall pay the Contractor an equitable amount for the costs and charges that accrue because of the City's decisions with respect to the subcontracts, but excluding profit for the Contractor. Within 20 days after TFC, the City shall pay the Contractor one hundred dollars as a TFC fee and shall pay the Contractor for all Work performed except to the extent previously paid for. Work shall be paid for in accordance with the method (unit prices, hourly fees, etc.) to be used for payment had the Work been completed except to the extent it would be

inequitable to either party, and if Work was to be paid for on a lump-sum basis, the City shall pay the part of the lump sum that reflects the percentage of completion attained for that Work. The Contractor shall not be entitled to any payment because of TFC except as stated in this section, whether on the basis of overhead, profit, damages, other economic loss, or otherwise.

Sec. 15. Confidentiality and Proprietary Rights.

(a) Confidential Information. During the term of this Agreement, the Parties may provide each other with Confidential Information. The request for proposals (RFP) section titled "Trade Secrets and Confidentiality" shall apply to any Trade Secrets disclosed to the City during the process leading to the parties' entering into this Contract (including all of the Contractor's responses to the RFP). This section (titled "Trade Secrets; Confidentiality") shall remain in force despite termination of this contract (whether by expiration of the term or otherwise) and termination of the services of the Contractor under this contract. For purposes of this contract, the word "candidate" in the RFP section just cited shall mean the "Contractor."

(b) Non-Disclosure. Subject to applicable public records laws, each Party will: maintain the confidentiality of the other Party's Confidential Information and not disclose it to any third party, except as authorized by the disclosing Party in writing or as required by a court of competent jurisdiction; restrict disclosure of Confidential Information to its employees, attorneys, accountants and/or consultants who have a "need to know"; and not copy or reproduce the Confidential Information; take necessary and appropriate precautions to guard the confidentiality of the Confidential Information, including informing its employees, attorneys, accountants and/or consultants who have a need to know and who have access to it that it is confidential and not to be disclosed to others, but those precautions will be at least the same degree of care that the receiving Party applies to its own confidential information and will not be less than reasonable care.

(c) Use. Unless otherwise provided in this Agreement, a Party may use the Confidential Information of the other Party only in furtherance of the performance of this Agreement or any other agreement between the Parties. Except for a Documentary Deliverable, Confidential Information is and will at all times remain the property of the disclosing Party, and no grant of any proprietary rights in the Confidential Information is hereby given or intended, including any express or implied license, other than the limited right of the recipient to use the Confidential Information in the manner and to the extent permitted by this Agreement or any other agreement between the Parties.

Sec. 16 Disclaimers.

(a) Coverage and Compensability. Subject to applicable state regulations, codes and statutes, Corvel shall retain final decision making authority as to compensability and coverage determination with input from the City. This authority extends to determination regarding the payment of benefits as required by law, and to the extent possible with the City's established parameters and contract terms governing Corvel's performance of the service.

(b) Duty of Cooperation. The City acknowledges that accurate and legally sound determinations as to compensability and the provision of benefits requires cooperation and access to the City material, documents and witnesses. The City agrees to cooperate fully in all aspects of Corvel's investigation in order to ensure full compliance with all applicable workers' compensation statutes.

(c) Healthcare Authority. Subject to applicable state regulations, codes and statutes, Corvel and its agents have no authority to control or direct the health care service proposed for or provided to injured person. This authority shall lie only with the injured person and his/her treating physician in any case, and those individuals may accept, reject or modify any advisory determinations made by Corvel or its agents, except insofar as state workers' compensation laws may require them to follow the determinations of the City, Corvel, the City's Agents, a workers' compensation judge or review panel, or another third party.

(d) No Interference with Practice of Medicine. Neither CorVel nor the City shall attempt, directly or indirectly, to control, direct or interfere with the practice of medicine by any health care provider.

Sec. 17. Negotiation and Escalation of Disputes. In the event of any dispute, controversy or claim arising from or relating to this Agreement or the breach thereof ("Claim"), the parties will attempt in good faith to negotiate a solution to their differences, including progressively escalating any Claim through senior levels of management. If negotiation does not result in a resolution of the Claim within thirty (30) days of the date when one party first notifies the other of the Claim, any party desiring to pursue that Claim may do so with an appropriate legal remedy in accordance with the provisions stated in Section 13 herein.

IN WITNESS WHEREOF, the City and the Contractor have caused this contract to be executed under seal themselves or by their respective duly authorized agents or officers.

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

City's Finance Officer

Date

By signing below, each party acknowledges his/her agreement with the terms and conditions of this Agreement and represents and certifies that he/she is authorized to sign on behalf of and to bind each of the respective signatories to all of the terms and conditions of this Agreement as of the Effective Date.

CORVEL ENTERPRISE COMP, INC. :

CITY OF DURHAM:

By: _____
Name: _____

By: _____
Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A
Workers' Compensation Claims Management Services
Terms and Conditions

I. DESCRIPTION OF WORKERS' COMPENSATION CLAIMS MANAGEMENT SERVICES

- (a) Customer shall promptly notify CorVel of all incidents subject to the services described in this Agreement.
- (b) First report of loss services involve gathering pertinent information related to a work injury and reporting such information to the appropriate state industrial accident board or commission as required by law, and is used to facilitate CorVel's initial review of the claim to determine whether the claim is likely to be medical-only or lost time and to help guide the initial determination of Services that may be required ("First Report Services").
- (c) CorVel's Workers' Compensation Claims Management services provide Customer with a process to comply with Customer's workers' compensation issues in the applicable jurisdiction. CorVel shall provide workers' compensation claims management services set forth herein to Customer on behalf of employees that sustain work related injuries ("Injured Employees"). CorVel may subcontract with a third party to provide some portion or all of its claims management services obligations hereunder.

II. DELIVERY OF FIRST REPORT OF LOSS SERVICES

- (a) CorVel shall provide First Report Services to Customer upon receipt by CorVel of specific requests from Customer. Prior to the implementation of CorVel First Report Services and as required during the Term of this Agreement, Customer may provide CorVel with instructions regarding the scope and extent of the First Report to be performed by CorVel. Absent such instruction, CorVel First Report Services shall be performed as described below.
- (b) Customer shall initiate First Report Services by (i) entering such information online through CareMC, (ii) calling CorVel via a toll free number provided by CorVel, or (iii) faxing such information to the CorVel intake specialist. Customer or the Customer representative entering such information on CareMC, making such calls, or faxing such information shall provide CorVel with all information required to complete the First Report of Loss form required by the applicable state ("Required Information"). Required Information generally includes the following: name/address of claimant, date of incident, description of injuries, social security number, date of birth, employer, salary, and other descriptive information reasonably required by CorVel, and may include information required by applicable statute (e.g., employer TIN). CorVel shall (i) provide sufficient staff to handle all incoming calls, and (ii) be prepared to complete First Report of Loss forms for all applicable states.

- (c) Once the Required Information is validated and confirmed by a CorVel representative, First Report of Loss forms will be made available to Customer through the CareMC Application. CorVel will, upon request of Customer, provide a hard copy of the completed First Report of Loss form to the Customer. An electronic copy shall be available to Customer via CareMC. To the extent permitted by the applicable state industrial accident board or commission, the Required Information shall be transmitted electronically.
- (d) To the extent required by applicable statute or otherwise agreed in writing by CorVel, CorVel will file additional reports on earlier-filed First Reports of Loss ("Subsequent Reports").
- (e) Unless agreed to otherwise in writing by the parties, any questions or concerns from an industrial accident board or commission concerning First Reports of Loss forms completed by CorVel hereunder will be handled directly by CorVel. All such inquiries will receive an initial response within the next business day following CorVel's receipt of the inquiry. CorVel will keep Customer apprised of any inquiries it receives and the response thereto. CorVel will send a written response to the inquiry within five (5) business days outlining the nature of the inquiry and the resolution of same by CorVel. A copy of such response will also be sent to the attention of the designated Customer representative if requested in writing by Customer. Customer shall have the right, but not the obligation, at any time and at Customer's expense, to interject itself into the inquiry between CorVel and the industrial accident board or commission, and in connection therewith to resolve the inquiry in a manner acceptable to Customer at its sole discretion, in which case Customer shall defend, indemnify and hold harmless CorVel from and against any claim, liability, damages or costs arising from Customer's handling of such inquiry or the resolution thereof.

III. DELIVERY OF CLAIMS MANAGEMENT SERVICES

- (a) Customer shall arrange so that all claims and all related bills of any type, as well as all other correspondence that Customer receives relating to such claims, are sent directly to CorVel. CorVel shall perform all of the following "Claims Services" in connection with each portion of a Claim related to Workers' Compensation benefit payments for lost income (each an "Indemnity Claim") and one or more of such Claims Services with respect to that portion of a Claim related to Workers' Compensation benefits other than payments for lost income (each a "Non-Indemnity Claim"). All Claims Services provided by CorVel under this Agreement shall be performed in accordance with the guidelines set forth in Sections II-IV of this Exhibit A:
 - (i) CorVel shall immediately assign each new Indemnity Claim and Non-Indemnity Claim to CorVel's designated claims professional.
 - (ii) Utilizing CorVel's CareMC Application or other applicable CorVel Online System, CorVel shall maintain a chronological record of all Claims Services performed by CorVel.
 - (iii) CorVel shall make all filings related to Indemnity Claims and Non-Indemnity Claims with the appropriate state Workers' Compensation regulatory authorities.
 - (iv) CorVel shall maintain a complete and accurate claim file for each Indemnity Claim and Non-Indemnity Claim.
 - (v) CorVel shall perform reasonable and necessary administrative and clerical work including, without limitation, the following:
 - (A) Investigate all Indemnity Claims and Non-Indemnity Claims. .
 - (B) Determine and evaluate any coverage and/or compensability issues and provide Customer with appropriate recommendations and advice regarding the same.
 - (C) Adjust, handle, or settle to a conclusion those Indemnity Claims and Non-Indemnity Claims that CorVel believes the Customer is legally obligated to pay under applicable state law and regulations, and in accordance with the authority granted to CorVel by Customer under the Agreement.

- (D) Prepare checks for payments of Indemnity claims, Non-Indemnity Claims and Allocated Loss Adjustment Expenses.
- (E) Prepare documents as necessary to close out Indemnity Claims and Non-Indemnity Claims.
- (vi) CorVel Shall perform Bill Review Services which will include CorVel's proprietary computerized bill review software program enables an application of the appropriate Fee Schedule, and further value-added services subscribed to by client which includes PPO, Professional Review, Enhanced Bill Review (CERiS), Onsite, and Check writing Services applied to medical provider bills ("Provider Bills"), hospital bills ("Hospital Bills") and, both together, "Bills").
 - (A) Professional Review Services. CorVel may provide professional review services to verify coding by providers are valid. This can include clinical review to validate coding is correct for all applicable Provider bills, Ambulatory Surgical Center bills, and all Hospital Bills (inpatient and outpatient) including:
 - (1) review and analysis of codes, charges and billing structure for incorrect coding, incorrect billing, bundling, and up-coding of procedures which effect Fee Schedule values;
 - (2) review of bills, records, and documentation by a nurse and/or coder;
 - (3) separation of charges not related to the compensable injury;
 - (4) diagnostic related group validation (i.e., verification that the diagnostic related group billed is appropriate for the services rendered); and
 - (5) cost shifting of revenue and CPT codes.
 - (B) Enhanced Bill Review (CERiS) Services. CorVel's Enhanced Bill Review Services (CERiS) are performed on Hospital Bills (inpatient and outpatient) in excess of two thousand five-hundred dollars (\$2,500) and consist of procurement of actual bill itemization, (i) a line-by-line validation and comparison of the itemization description charges actually billed by a particular hospital to what CMS billing guidelines allow to be separately billed for in order to disallow inappropriate charges, and then will compare the valid itemization descriptions to the average itemization description charges utilized by other hospitals within a pre-designated geographic area, and (ii) a review of charges that fall outside of any pre-contracted discounts or fee schedules, and generates payment recommendations in accordance with the Customer's "Payors Allowable" language. This service includes:
 - (1) Hospital Itemization Review Services (HIRS). CorVel's Enhanced Bill Review (CERiS) services may provide claim analysis and reviews that are conducted by licensed multispecialty facility nurses. HIRS is conducted to validate and/or correct charges based on the itemization procured. HIRS bases suggested corrections upon CMS non-separately billable guidelines, current professional practices, and any client payment guidelines provided. HIRS, for any and or all Hospital Bills (inpatient and outpatient) in excess of twenty thousand, dollars (\$10,000) including:
 - i. review and analysis of charges for multiple billing, bundling, data errors, and up coding of procedures with no Fee Schedule values;
 - ii. review of bills, records, and documentation by a nurse and/or coder;
 - iii. separation of charges not related; and
 - iv. cost shifting of revenue and CPT codes.

- (2) Hospital Repricing Services (HRS). CorVel's Enhanced Bill Review (CERiS) services may provide claim repricing to a payors allowable which also includes the above Hospital Itemization Review Services described above, for any or all Hospital Bills (inpatient and outpatient) in excess of two thousand, five hundred dollars (\$2,500) and consist of:
 - i. a line-by-line comparison of the itemization description charges actually billed by a particular hospital to the average itemization description charge utilized by other hospitals within a pre-designated geographic area, and
 - ii. (ii) a review of charges that fall outside of any pre-contracted discounts or fee schedules, and generates payment recommendations in accordance with the Customers "Payors Allowable" language.
 - (3) Implant Review Services. CorVel's Enhanced Bill Review (CERiS) services may provide Implant Cost Review services with respect to the applicability of the Customers "Payors Allowable" plan or policy language that specifically addresses implant payments. CorVel will identify and provide the manufacturers implant cost through its proprietary repository of national implant invoice data. CorVel then determines the recommended payment in accordance with the Customers "Payors Allowable". In the event there is insufficient implant invoice data for the requested implant, CorVel will notify the Customer and CorVel shall not be responsible for any costs, fees, damages or penalties for any such inability of CorVel to produce a cost savings per Customer's request.
 - (4) Negotiation Services. CorVel's Enhanced Bill Review (CERiS) services may provide negotiation services with respect to all Hospital Bills (inpatient and outpatient) in excess of ten thousand dollars (\$10,000). CorVel will contact the provider for agreement of the negotiated rate. A signed agreement regarding such rates will be maintained by CorVel. CorVel will use its commercially reasonable efforts to enter into an agreement regarding negotiated rates in accordance with a mutually agreed upon schedule.
 - (C) CorVel's Preferred Provider Organization. CorVel's Preferred Provider Organization is a network of hospitals, physicians and other health care providers ("Participating Providers") that offer services at pre-negotiated rates ("PPO Network").
- (b) CorVel shall process claims and process the disbursement of benefit payments to claimants and providers entitled to such payments from Customer. Funding for the payment of all benefits to claimants, providers, vendors and "allocated loss adjustment expenses" (as defined below) is the sole responsibility of Customer and Customer agrees to be liable for and fund all proper claims processed by CorVel. Such payment shall be made through a bank account established by CorVel. There shall be one account established for claims relating to both First Reports of Loss arising on or after [REDACTED] and for claims relating to First Reports of Loss that arose prior to [REDACTED] that were administered by [REDACTED] (the "bank account"), if applicable (*i.e.*, if CorVel is assuming responsibility for providing Claims Administration services for claims occurring prior to the effective date of the Agreement). CorVel shall provide Customer with a check register in a mutually agreed format for each checkrun drawn on a bank account prior to mailing of the checks. CorVel also will provide Customer information as necessary for Customer to prepare periodic bank account reconciliation reports. Customer agrees to pay into the bank account funds sufficient to pay approved claims and to maintain the advance deposit set forth below and to provide CorVel with such authorizations as shall be necessary to make the required instruments valid claims against Customer. Notwithstanding the other provisions of this Agreement, if payments are not made when due, Customer shall be in default and subject to

immediate termination without notice, and CorVel shall have no liability for claims, penalties or other damages arising out of or relating to any such failures on the part of Customer.

- (i) Customer shall make an initial advance deposit into the bank account in an amount equal to [REDACTED] Dollars (\$ [REDACTED]).
- (ii) “Allocated loss adjustment expenses” or “ALAE” shall mean claim adjustment costs and expenses incurred by CorVel or its subcontractor and allocated by CorVel to the investigation, adjustment and settlement or defense of a claim for benefits, including, without limitation, attorneys’ fees and disbursements, pre and post judgment interest, court reporter services and transcripts, deposition charges and transcripts, fees for service of process, court costs, courier/express mail, long distance, appeal bonds, printing costs related to trials and appeals, witness and expert fees, medical examination and review, laboratory costs, engineering, independent adjuster fees, surveillance, photography, and similar costs and expenses reasonably incurred and related to the investigation and defense of claims or the protection and collection of subrogation rights of the Customer.
- (c) CorVel shall provide Customer with payment services through Check Writing services in accordance with specifications mutually agreed by Customer and CorVel.
 - (i) The checks referred to in Section II(d) will be drawn on CorVel’s account at Wells Fargo Bank, Portland, Oregon or CorVel’s account at such other bank as the parties of this Agreement may mutually accept, as evidenced by a letter or written document signed by both parties (hereafter, the “Bank”), with Customer identified on each check as the insurer or any insurance carrier as such may be required. Check Writing services shall also include IRS form 1099 filing and associated follow-up, bank reconciliation, and bank fees specifically related to such processing if Customer is using CorVel’s bank account. Otherwise, such services will be subject to an additional fee.
- (d) CorVel agrees to provide the following services to Customer relating to the processing and payment of claims:
 - (i) to receive claims and process payment of benefits in accordance with applicable State(s) program guidelines required for the payment of workers’ compensation claims;
 - (ii) to correspond with the claimants, providers of services and vendors if additional information is deemed necessary to complete the processing of claims;
 - (iii) to determine the amount of benefits payable;
 - (iv) to provide notice to claimants as to the reason(s) for denial of benefits (when such are denied) and to provide for the review of such denied claims;
 - (v) to receive and process for payment claims for benefits incurred prior to the Effective Date in consideration for the separate fees established in Exhibit B; and
 - (vi) at Customer’s request, to provide specified additional services for such fees as the parties mutually agree;
- (e) Subject to applicable law, all claims files, data, systems and records and associated documents and notices regarding the administration of claims and provision of services pursuant to this Agreement and the payment of claims and allocated loss adjustment expenses, may be audited, examined, and copied by Customer, its representatives, excess carriers, reinsurers or any state insurance department or other regulatory body that so requires, at Customer’s expense, at any time or times during CorVel’s normal business hours and with not less than thirty (30) days advance notice; and notwithstanding anything to the contrary contained in this Agreement.
- (f) CorVel is and shall remain an independent contractor with respect to the services being performed hereunder and shall not for any purpose be deemed an employee of Customer, nor shall CorVel and Customer be deemed partners, joint venturers or governed by any legal relationship other than that of independent contractor as set forth herein. CorVel does not assume any responsibility for the adequacy of the funding of benefits or any act or omission or breach of duty by Customer.

- (g) CorVel is not in any way to be deemed an insurer, underwriter or guarantor with respect to any benefits payable under Customer's workers' compensation program.
- (h) CorVel may rely on instructions received from such person or persons as Customer may from time to time designate in writing, provided that no such instruction may vary the terms of this Agreement.
- (i) Unless otherwise directed by Customer or precluded by law, CorVel shall seek subrogation recoveries on behalf of Customer and shall provide Customer with any recoveries obtained, minus the attorneys' fees and costs incurred in obtaining such recoveries. Customer represents and warrants that its workers' compensation program provides for rights of subrogation. Customer delegates and/or assigns these subrogation rights and third party recovery rights to CorVel as its agent for purposes of subrogation only. Customer shall assist CorVel in its subrogation efforts by providing requested information and documentation. CorVel may engage the services of a subrogation management firm to assist with the identification and management of subrogation cases. The fees charged by the subrogation management firm will be deducted from any recovery. In those cases where the subrogation recovery efforts of the claimant's attorney should be compensated, Customer delegates to CorVel full authority to act on behalf of the Customer to negotiate reasonable attorneys' fees. In those instances where Customer's subrogation lien, in the opinion of CorVel, should be compromised or abandoned, Customer delegates to CorVel full authority to act on behalf of Customer to compromise or abandon the lien. Any determination by CorVel with respect to subrogation liens shall be final and conclusive, unless overturned by order of a limited arbitrary and capricious standard of review.
- (j) CorVel shall consult and cooperate with Customer with respect to any loss or claim resulting in a lawsuit being instituted against Customer. Nothing in this paragraph shall be construed in any way as a waiver by CorVel of any attorney/client, work product or other applicable privilege with respect to any materials or documents prepared by CorVel or its counsel in anticipation of litigation.
- (k) CorVel shall assist, cooperate and participate with Customer, carriers and reinsurers in connection with claim reviews and audits and catastrophic injury claim analysis and excess claim related reporting.

IV. SERVICE CRITERIA, STANDARDS AND GUIDELINES

- (a) Assignments: Customer will notify CorVel, either via CareMC, telephone or facsimile, that Customer's employee has sustained a work related injury. All new Lost Time claims will be acknowledged and established by CorVel within the next business day following such notice. The acknowledgement will include the name and contact information of the assigned Adjuster.
- (b) Contacts: As warranted, and always with regard to lost time, or anticipated lost time claim situations, initial contact with the injured employee will be made within the next business day following receipt of a new assignment claim. Contact with the Physician, and employer, if required will be made by the next business day.
- (c) Investigation: Completed and documented within 30 days from date of assignment.

EXHIBIT A – 1

Property and Liability Claims Management Services Terms and Conditions

I. GENERAL SERVICES

- (a) Subject to the Customer's direction, CorVel shall supervise and administer the Liability Claims Adjustment Program for the Customer and shall act as the Customer's representative in connection with the investigation, adjustment, processing, supervision and resolution of liability claims by third parties against the Customer.
- (b) CorVel shall undertake periodic program and administrative reviews on at least a quarterly basis to Customer as to any CorVel recommendations for changes or improvements in the administration of the third party claims program.
- (c) CorVel shall manage the following types of claims:

- X **General Liability**
- ☐ **Personal Injury**
- ☐ **Professional Liability**
- ☐ **Product Liability**
- ☐ **Property**
- X **Auto Liability**
- ☐ **Auto Physical Damage**
- ☐ **Other (Specify):**
 - _____
 - _____
 - _____

II. INVESTIGATIVE SERVICES

- (a) CorVel shall provide investigative services to include, but not limited to:
 - (i) Receipt and examination of all reports of accidents, incidents, and claims cases which are or may be the subject of such liability claims;
 - (ii) Investigation of such accidents, incidents, claims or cases where examination warrants such investigation to include on-site investigation, photographs, statements of clients, claimants and witnesses, evaluation and determination of losses, and other such investigative services necessary to determine liability and losses, but not to include extraordinary investigative services as set forth in Section b(iii) below;
 - (iii) Timely and periodic reporting to the Customer of the in-progress investigation efforts and the results of the investigations, as well as offering recommendations to the Customer of extraordinary investigative services, if required.
- (b) To the extent extraordinary investigative services are required:
 - (i) Customer agrees to pay the cost of all reasonable and supportable extraordinary investigative services such as, but not limited to, service performed by other adjusting

and/or investigating companies, professional photographs, independent medical examinations, professional engineering services, laboratory services and legal services. CorVel shall order such extraordinary investigative services only with prior written authorization from the Customer. To the extent circumstances do not permit prior written authorization from the Customer, CorVel shall obtain verbal authorization from the Customer to proceed with the recommended extraordinary investigative services and CorVel shall promptly confirm in writing the verbal authorization provided by the Customer.

III. CLAIMS ADJUSTMENT SERVICES

- (a) CorVel shall provide reasonable and customary Property and Liability claims adjustment services.
- (b) CorVel shall create, maintain and keep current a claim file on each potential or actual claim reported to CorVel. The Customer will be entitled to access and review the claim files of CorVel.
- (c) If CorVel's investigation results in a determination that the Customer has sustained a property or liability loss, CorVel shall process any such claim or potential claim for settlement in accordance with the instructions and policies established by the Customer for settlement of such claims. CorVel shall document all processing efforts and timely report to the Customer on all such processing and settlement efforts..
- (d) Subject to the Customer's direction, CorVel shall serve as a liaison and be responsible for communications between insurance and excess carriers, if any, and the Customer on any matters affecting the adjustment of such claim or potential claim.
- (e) CorVel shall obtain all necessary written Release Agreements on settlement of any claim or potential claim (other than those in litigation), and shall maintain fully-executed originals or copies in the claim file.
 - (i) Upon the Customer's request, CorVel shall provide the Customer with a copy of the executed Release Agreement(s);
 - (ii) Upon the Customer's request, CorVel shall seek to incorporate in standard Release Agreements such further provisions as the Customer may reasonably request by reason of the nature and specifics of the claim or potential claim being processed and settled.
- (f) Pursuant to CorVel's Liability Claims Handling Best Practices, each adjuster will be assigned a reasonable and manageable number of claims files. Adjusters assigned to the Customer's account shall also be supervised to assure proper, competent, timely, and complete services for the Customer.
- (g) CorVel's adjusters shall work, on average, no more than one hundred fifty (150) files for the Customer.

IV. CLAIMS ADMINISTRATIVE SERVICES

- (a) CorVel shall provide reasonable and customary administrative services as required and appropriate for First and Third Party claims administration services on behalf of the Customer.
- (b) CorVel shall enter all new claims and tail claims into the RIMS system and provide to the Customer a Monthly Status Report for the term of this Agreement.
 - (i) The Monthly Status Report shall be provided within thirty (30) days of the close of each calendar month;
 - (ii) The Monthly Status Report shall indicate the status of each reported claim assigned to CorVel, the details of each claim, the outstanding reserves for each claim, and the details of all claim payments during the month;

- (iii) CorVel shall, upon written and reasonable request from the Customer, add additional reporting categories to the Monthly Status Report.
- (c) CorVel shall periodically review and adjust reserves on all open claims.
- (d) CorVel will set up the appropriate Trust account to process claim payments suggested in the client instructions.

EXHIBIT B

Fees

- (1) During Initial Term. Fees during the Initial Term of this Agreement shall be as follows:

Claims Administration – Workers Compensation

Description	Pricing
First Notice of Loss Intake If submitted via Claims System If reported by phone or fax	Fee Waived (\$30.00 per claim) \$30 per claim
Incident Only Reporting If submitted via Claims System If reported by phone or fax	Fee Waived (\$30.00 per claim) \$30.00 per claim
Life of Contract Flat Annual Fee (Excluding Takeover Fee) Up to 190 new MO 44 new IND claims annually	\$62,600.00
Life of Contract Handling Fee*	
Medical-Only	\$ 150.00
Indemnity	\$ 775.00
Workers' Compensation Takeover Claims* *No fee first 180 days. Fee applies for remaining IND takeover claims after 180 days.	\$ 350.00

Auto Liability Claims

Description	Pricing
Auto Liability	
Record Only	Included
Bodily Injury	\$ 795.00
Property Damage	\$ 495.00
General Liability	
Record Only	Included
Bodily Injury	\$ 695.00
Property Damage	\$ 495.00
All Other	\$ 695.00
Auto Liability Takeover Claims	
Bodily Injury	Included
Property Damage	
General Liability Takeover Claims	
Bodily Injury	Included
Property Damage	

Administrative Fees

Description	Pricing
Annual Administration Fee includes: Data Conversion Banking fees – One banking account included Indexing State filing requirements Care ^{MC} system access MMSEA Reporting Account Management Standard Reporting Standard Technical Support Training, onsite and online PPO poster creation tools Physical and electronic file storage fees	\$9,500.00 per year
CorVel mobile apps (requires an amendment to the Agreement)	No charge – if requested by Customer
Communication materials / posters	Pass through printing costs
Custom reporting	\$200.00 per hour
Custom programming	\$200.00 per hour
Obtain police reports	\$ 25.00 per report
Estimate of subsequent year's costs for RMIS system	No charge
Run off fees upon termination of contract	No charge
Run off fees for use of Care ^{MC}	No charge

The above pricing per claim is based on handling all claims that occur and are reported during the agreement period. They will be handled until closed or until the end of the agreement period, whichever comes first. Rates on claims that occur outside of the United States are subject to alternative pricing to be discussed prior to start of contract.

Medical Bill Review Services (Per Bill Fees*)

Description	Pricing
Bill Review (Fee Schedule, U&C)	\$7.00 per bill
PPO	25% of Incremental Savings
Enhanced Bill Review	25% of Incremental Savings
Professional Review	25% of Incremental Savings
Negotiations	25% of Incremental Savings
Duplicate bill processing	Included
Scanning / OCR	Included
State EDI	Included
Check writing	Included

Pharmacy Services

Description	Pricing
-------------	---------

Retail Pharmacies:	
Brand	AWP – 4% + \$4.50 dispensing fee
Generic	AWP – 8% + \$4.50 dispensing fee
Mail	
Order:	AWP – 10% + \$4.00 dispensing fee
Brand	AWP – 18% + \$4.00 dispensing fee
Medication Review (Connected Care)	\$200.00 per hour
Clinical Modeling	Included

Patient Management Services

Type of Case Management*	Pricing
Telephonic & Field Case Management	\$ 89.00 per hour
Vocational Rehabilitation – All states	\$150.00 per hour
Bi-lingual services	20% premium
Specialty Services (Medicare Set Aside, Life Care Plan, Catastrophic)	\$200.00 per hour
Utilization Review	\$135.00 per review
Peer Review/Physician Advisor	\$200.00 per hour
Directed Care Services—includes Independent Medical Exams, Physical Therapy, Diagnostics, Transportation, Translation, Durable Medical Equipment, Functional Capacity Exams	Per CorVel Service Schedules

*Prevailing IRS mileage rate.

Pricing above is valid for the first year of contract. At the end of the first year, all fees outlined on this claims administration and managed care pricing sheet will be subject to an automatic increase of the greater of CPI or 3.0%.

**does not apply in Texas for non HCN medical bills*

***plus IRS mileage rate*

(2) **Fees During Renewal Terms:** CorVel shall increase the Fees associated with the above Services annually on the effective date of the Renewal Term. Such increase shall be equal to the greater of: (i) three percent (3%) or (ii) the percentage increase in “CPI” for the immediately available preceding twelve (12) month period plus two percent (2%). For the purposes of this Agreement, “CPI” means the Consumer Price Index U.S. City Average for Urban Wage Earners and Clerical Workers, All Items, of the United States Bureau of Labor Statistics (1982-1984=100). If the manner in which such CPI as determined by the Bureau of Labor Statistics is substantially revised, an adjustment will be made in such revised index which would produce results equivalent, as nearly as possible, to those which would have been obtained had the CPI not been so revised. If the 1982-1984 average is no longer used as the index of 100, such change shall constitute a substantial revision.

(3) **Fees for Additional Professional Services:** If Customer requires any additional professional services from CorVel relating to the Services or the CareMC Application, including but not limited to integration of the CareMC Application with EDI or other Customer systems, Customer shall submit a written request to CorVel for such services. CorVel shall, in good faith, consider providing such services at its then-current professional services fee rate and standard terms and conditions.

(4) **Fees Adjustments for Regulatory Changes:** If, at any time during the Term of this Agreement, regulatory or legislative changes impact CorVel’s business operations and add to CorVel’s costs of providing the Services, CorVel may (a) increase its fees for one or more Services upon written notice to Customer, or (b) terminate this Agreement upon ninety (90) days written notice to Customer.

(5) **Billing and Payments for Pharmacy Program:**

- (a) Charges for medications processed through the Pharmacy Program will be applied to the claim file.
- (b) CorVel uses the Medi-Span AWP at pre-settlement levels. To maintain pricing neutrality CorVel applies the established multiplier to impacted prescriptions.
- (c) Relative to state fee schedules, CorVel will apply the lesser of the Customer's contracted pharmacy rate or the applicable state fee schedule. The following exceptions apply:
 - (i) All California pharmacy prescriptions will be priced at the California fee schedule.
 - (ii) To the extent that the fee schedules rate in any state other than California is less CorVel's acquisition costs, CorVel will apply the lesser of Customer's contracted rate or CorVel's acquisition cost.
- (d) Both parties understand that pricing indices historically used (including under this Agreement) for determining the financial components of pharmacy billing rates are outside the control of CorVel and Customer. The parties also understand there are extra-market industry, legal, governmental and regulatory activities which may lead to changes relating to, or elimination of, these pricing indices that could alter the financial positions and expectations of both parties as intended under this Agreement. Both parties agree that, upon entering into this Agreement and thereafter, their mutual intent has been and is to maintain pricing neutrality as intended and not to benefit one party to the detriment of the other. Accordingly, to preserve this mutual intent, if CorVel undertakes any or all of the following:
 - (i) Changes the AWP source across its book of business (e.g., from Medi-Span to First Databank); or
 - (ii) Maintains AWP as the pricing index with an appropriate adjustment in the event the AWP methodology and/or its calculation is changed, whether by the existing or alternative sources; or
 - (iii) Transitions the pricing index from AWP to another index or benchmark (e.g., to Wholesale Acquisition Cost).
- (e) Pharmacy rates will be modified as reasonably and equitably necessary to maintain the pricing intent under this Agreement. CorVel shall provide Customer with at least ninety (90) days prior written notice of the change (or if such notice is not practicable, as much notice as is reasonable under the circumstances), and written illustration of the financial impact of the pricing source or index change (e.g., specific drug examples). If Customer disputes the illustration of the financial impact of the pricing source, both parties agree to cooperate in good faith to resolve such disputes.

EXHIBIT C

CareMC License Agreement

This CAREMC LICENSE AGREEMENT (the “CareMC License Agreement”) is incorporated by reference into the Services Agreement (the “Master Agreement”) to which it is attached. The parties acknowledge and agree that the terms and conditions under which the Services are provided by CorVel and received by Customer shall be governed by the Master Agreement (including without limitation all additional Exhibits and applicable Schedules attached thereto), while the terms and conditions under which Customer may access and use the Online Services shall be governed by the terms and conditions of this CareMC License Agreement. All defined terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Master Agreement.

1. ACCESS TO THE CAREMC APPLICATION

A. Registration Information. Prior to accessing the CareMC Application, Customer shall provide CorVel with certain registration information requested therein (“Registration Information”). Customer covenants that the Registration Information Customer provides will be true, accurate, current and complete and will be updated as necessary to it so.

B. Passwords and Levels of Access. As soon as practicable after the execution of this Agreement, CorVel shall create a unique username and password for each individual Authorized User identified by Customer as requiring access to the Online Services. Customer shall then designate two groups of Authorized Users. The first group of Authorized Users (“Restricted Users”) shall have access to only the data available on the CareMC Site that relates to claims specific to that Authorized User and such other data that Customer specifically requests in writing be accessible to such Authorized User. The second group of Authorized Users (“Non-Restricted Users”) shall have access to all data available on the CareMC Site that relates to claims specific to Customer. Access by Individual Users and Non-Restricted Users to data available on the CareMC Site shall be subject in all cases to any limitations imposed by applicable law.

C. PHI Data. Authorized Users shall have access to all data available through the CareMC Application, including data that constitutes or contains “protected health information” (“PHI Data”) as such term is defined in 45 CFR Section 164.501 of the regulations promulgated by the U.S. Department of Health and Human Services under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”) and the Health Information Technology for Economic and Clinical Health Act, which is at Section 13400, *et. seq.* of the American Recovery and Reinvestment Act of 2009 (“ARRA”), and guidance promulgated thereunder (“HITECH”), but shall only have access to PHI Data to the extent necessary for Customer to render payment on a claim, and then only to those portions or amounts of PHI Data that are determined by CorVel, in its sole discretion, to be the minimum necessary for Customer to render payment on such claim.

D. Security of Passwords. Customer acknowledges and agrees that it shall be solely responsible for (i) selecting Authorized Users, (ii) assigning the various levels of authority and access each Authorized User may have to the CareMC Application, Online Services and Customer Data, including by determining which Authorized Users shall be Non-Restricted Users, (iii) ensuring that only Authorized Users have access to the passwords provided by CorVel or changed by Authorized Users, (iv) implementing a system to control, track and account for all passwords, (v) strictly maintaining the confidentiality and integrity of all passwords and levels of authority among Authorized Users, and (vi) ensuring that Authorized Users shall at all times comply with the terms and conditions of this Agreement. Customer further agrees that it shall notify CorVel immediately in writing if the security or integrity of a password has been compromised. CorVel will provide reasonable cooperation to Customer in the event of a security breach. Such support will include but not be limited to suspending service for passwords whose security or integrity has been violated. Passwords may be changed at any time by Authorized Users, and must be changed at least once every ninety (90) days.

E. Customer Data. Responsibility for ensuring that the content and data provided by or for Customer (“Customer Data”) to be entered into the CareMC Application by CorVel is accurate and reflects Customer’s requirements lies solely with Customer. All data generated by and through Customer’s use of the CareMC Application and Online Services shall reside on CorVel’s server. CorVel reserves the right to temporarily suspend access to any Customer Data that it determines, in its sole discretion, violates the terms and conditions of this CareMC License Agreement or any applicable laws.

F. Customer Representations. Customer represents that (i) it has the legal authority to provide the Customer Data to CorVel hereunder, and (ii) it is fully aware and knowledgeable of and shall comply with its duties and responsibilities with respect to the privacy and confidentiality of medical records and protected health information under applicable federal and state laws, including but not limited to those imposed by HIPAA. Upon written notice to Customer, CorVel may modify or temporarily suspend Customer’s access to and use of the CareMC Application, Online Services and/or CareMC Site as necessary to comply with any law or regulation.

2. LICENSE AND RESTRICTIONS

A. Limited License. Subject to the terms and conditions of this CareMC License Agreement, CorVel grants to Customer during the License Term (as defined in Section 5A below) a limited, non-exclusive, non-transferable, non-sublicensable license to access and use, and allow Authorized Users to access and use, the CareMC Application via the CareMC Site solely for Customer’s own internal business use and operations. Customer shall access and use the CareMC Application in accordance with

the user's guides and online instruction provided to Customer by CorVel ("Documentation") and all applicable laws, statutes, rules and regulations.

B. Restrictions. Customer shall not, and shall not allow Authorized Users or any third party to (i) rent, lease, re-license or otherwise provide access to the CareMC Application or Online Services to any third party, (ii) alter, modify or create derivative works of the CareMC Application, (iii) use any reverse compilation, decompilation or disassembly techniques or similar methods to determine any design structure, concepts and construction method of the CareMC Application or replicate the functionality of the CareMC Application for any purpose, or (iv) copy the CareMC Application or any content, materials, information and other data provided by CorVel on the CareMC Site or used in providing the Online Services ("CorVel Content") and/or Documentation without CorVel's prior written consent.

C. Third Parties. Customer shall not allow any third party to have access to the CareMC Application or Online Services without prior written consent of CorVel and ensuring that (i) such third party enters into a legally enforceable written agreement with CorVel, or (ii) such third party enters into a legally enforceable written agreement with Customer consistent with the terms of this CareMC License Agreement and which shall include terms at least as protective of CorVel as the following Sections of this CareMC License Agreement: Sections 1A-1F, 2B, 2D, 3B, and 4A-4E.

D. Ownership and Changes. CorVel owns and shall retain all right, title and interest in and to the CareMC Application, Documentation, CareMC Site, Online Services, CorVel Content and any intellectual property rights inherent therein or arising therefrom. In addition to CorVel's rights in the individual elements of the CorVel Content, CorVel owns a copyright in the selection, coordination, arrangement and enhancement of the CorVel Content. Neither Customer nor any Authorized User shall obtain any ownership rights, express or implied, or any other rights other than those expressly set forth herein in the CareMC Application, Documentation or CorVel Content. CorVel reserves the right, at any time in its sole discretion and without liability to Customer, to delete or change features of the CareMC Application, CareMC Site or Online Services provided such changes do not materially alter the functionality of the CareMC Application.

E. Compliance Monitoring and Audits. CorVel may monitor and perform remote audits of Customer's use of the CareMC Application and CareMC Site for the purpose of verifying that Customer and Authorized Users are using the CareMC Application in compliance with the terms of this CareMC License Agreement. CorVel reserves the right to temporarily suspend Customer's or any Authorized User's access to the CareMC Application in the event Customer or such Authorized User engages in, or CorVel in good faith suspects is engaged in, any unauthorized conduct. To the extent CorVel requires access to Customer's facilities to conduct an audit hereunder, Customer agrees to provide such access upon reasonable advanced notice and during Customer's regular business hours.

3. INFRASTRUCTURE, MAINTENANCE AND SUPPORT

A. CorVel Infrastructure Obligations. Subject to Customer's compliance with the terms and conditions of this CareMC License Agreement, CorVel shall be responsible for providing and maintaining the hardware, software and other equipment required to host the CareMC Application for Customer ("CareMC Infrastructure"). The CareMC Infrastructure is subject to modification by CorVel from time to time for purposes such as adding new functionality, maximizing operating efficiency and upgrading hardware, provided such modifications shall not in the aggregate degrade the performance of the Online Services utilized by Customer. Customer acknowledges and agrees that such modifications may require changes to Customer's Internet access and/or telecommunications infrastructure to maintain Customer's desired level of performance. CorVel shall give Customer reasonable prior written notice of any required modifications.

B. Customer Infrastructure Obligations. Except for the CareMC Infrastructure, which will be provided by CorVel, Customer shall be responsible for obtaining and maintaining all hardware, software, equipment, Internet access and/or telecommunications services and other items or services furnished by third party vendors or providers ("Third Party Providers") required to enable Customer to access and use the CareMC Application and CareMC Site as contemplated hereunder.

C. Support. CorVel will provide general support regarding questions on the CareMC Application via email and by telephone from Monday through Friday between the hours of 5:00 a.m. and 6:00 p.m. Pacific Standard Time, excluding holidays.

D. Scheduled Maintenance. CorVel will use reasonable efforts to (i) perform any scheduled downtime outside of Customer's normal business hours, (ii) notify Customer of all scheduled downtimes at least seventy-two (72) hours in advance, and (iii) perform software updates to the CareMC Application with minimal disruption to Customer's use of the Online Services.

E. System Monitoring. CorVel will use reasonable efforts to continuously monitor its web servers and database servers to ensure that they are functioning properly.

F. Security. CorVel will implement and use reasonable efforts to maintain secure systems through the use of firewalls, virtual private networks (VPN) and other security technologies. Any security violations that affect the data of Customer will be promptly reported to Customer.

G. Disaster Recovery and Backup. CorVel will use reasonable efforts to perform nightly backups of essential data on its web servers and database servers. CorVel has implemented third party backup and restoration technology to enable high speed recovery of data. CorVel utilizes redundant load balanced Win 2000 servers for 24x7, 365 day access, except for regularly scheduled system maintenance and upgrade processes. SQL Server databases are hosted on clustered servers offering fail-over capability, redundant communication links, and load balanced application servers. Backup tapes are restored into a test environment not less than quarterly to confirm validity of backups. The CareMC Site has redundant inbound Internet and Intranet connectivity.

4. APPLICATION SPECIFIC DISCLAIMERS

A. Disclaimers. TO THE EXTENT ALLOWED BY APPLICABLE LAW, EXCEPT FOR THE LIMITED WARRANTIES DESCRIBED IN THE MASTER AGREEMENT, CORVEL MAKES NO OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AND EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, GOOD TITLE, SATISFACTORY QUALITY AND NONINFRINGEMENT.

B. Internet Usage. Customer acknowledges that the Internet is essentially an unregulated, insecure and unreliable environment, and that the ability of Customer to access and use the CareMC Application is dependent on the Internet and hardware, software and services provided by various Third Party Providers. CORVEL SHALL NOT BE RESPONSIBLE FOR CUSTOMER'S INABILITY TO ACCESS OR USE THE CAREMC APPLICATION TO THE EXTENT CAUSED BY FAILURES OR INTERRUPTIONS OF ANY HARDWARE, SOFTWARE OR SERVICES PROVIDED BY CUSTOMER OR THIRD PARTY PROVIDERS.

C. CareMC Application. CUSTOMER ACKNOWLEDGES AND AGREES THAT CORVEL DOES NOT WARRANT THAT THE CAREMC APPLICATION OR ONLINE SERVICES ARE ERROR FREE, THAT CUSTOMER WILL BE ABLE TO ACCESS OR USE THE CAREMC APPLICATION OR ONLINE SERVICES WITHOUT PROBLEMS OR INTERRUPTIONS, OR THAT THE CAREMC SITE AND CAREMC APPLICATION ARE NOT SUSCEPTIBLE TO INTRUSION, ATTACK OR COMPUTER VIRUS INFECTION.

D. Network Intrusions. CUSTOMER AGREES THAT CORVEL WILL NOT BE LIABLE FOR DAMAGES ARISING FROM ANY BREACH, UNAUTHORIZED ACCESS TO, MISUSE OF, OR INTRUSION INTO, CUSTOMER DATA RESIDING ON CORVEL'S SERVER(S) OR ANY NETWORK USED BY CUSTOMER TO THE EXTENT SUCH DAMAGES WERE BEYOND CORVEL'S REASONABLE CONTROL.

5. LICENSE TERM AND TERMINATION

A. License Term. This CareMC License Agreement shall be effective as of the Effective Date and, unless terminated earlier as provided below, shall automatically terminate upon expiration or termination of the Master Agreement (the term of this CareMC License Agreement, the "License Term").

B. Termination for Convenience. Either party shall have the right to terminate this CareMC License Agreement for any reason or for no reason, upon ninety (90) days written notice to the other party.

C. Termination for Cause. This CareMC License Agreement may be terminated by either party for cause as follows: (i) upon thirty (30) days written notice if the other party breaches or defaults under any material provision of this Agreement and does not cures such breach prior to the end of such thirty (30) day period, (ii) effective immediately and without notice if the other party ceases to do business, or otherwise terminates its business operations, except as a result of an assignment, as permitted under the terms and conditions of this CareMC License Agreement, or (iii) effective immediately and without notice if the other party becomes insolvent or seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding, or if any such proceeding is instituted against the other (and not dismissed within ninety (90) days).

D. Effect of Termination. Expiration or termination of this CareMC License Agreement shall have the following effects: (i) CorVel shall provide Customer with any proprietary data belonging to Customer, in the current format in which it is stored at CorVel at the termination of this CareMC License Agreement, (ii) all licenses granted under this CareMC License Agreement shall terminate immediately, (iii) all rights to use the CareMC Application and Online Services shall cease immediately, and (iv) each party shall promptly return all information, documents, manuals and other materials belonging to the other party related to this CareMC License Agreement, whether in printed or electronic form, including without limitation all confidential information of the other party then currently in its possession, provided each party may retain one (1) copy of such materials for archival purposes.

E. Survival. Except to the extent expressly provided to the contrary herein or in the Master Agreement, any right of action for breach of the CareMC License Agreement prior to termination, and the following provisions shall survive the termination of this CareMC License Agreement: Sections 1B-F, 2B, 2D, 4 and 5E.

EXHIBIT D HIPAA BUSINESS ASSOCIATE AMENDMENT

This Amendment (the "Amendment") to the Services Agreement (the "Agreement") dated November 1, 2014 between **The City of Durham** ("Covered Entity") and **CorVel Enterprise Comp, Inc.**, (the "Business Associate") (each a "Party" and collectively the "Parties"), is made this 1st day of November 2014. The purpose of this Amendment is to address the measures that the Business Associate shall take to protect the confidentiality of certain health information that the Covered Entity may deliver to the Business Associate or that the Business Associate may create, receive or maintain on behalf of the Covered Entity in the performance of the Business Associate's Services.

WHEREAS, the Covered Entity and the Business Associate have entered into the above-referenced Agreement;

WHEREAS, the Covered Entity, from time to time, discloses Protected Health Information (“PHI”) as defined in this Amendment to the Business Associate, and the Business Associate, from time to time, uses, creates and/or maintains PHI, and/or electronically transmits PHI; and

WHEREAS, both Parties **intend to protect the privacy and provide for the security of PHI disclosed to the Business Associate pursuant to the Agreement in compliance with (i) the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”); (ii) the Health Information Technology for Economic and Clinical Health Act (“HITECH”); and (iii) regulations promulgated thereunder by the U.S. Department of Health and Human Services, including the HIPAA Standard Transactions and Code Sets Regulations and the HIPAA Omnibus Final Rule (the “HIPAA Final Rule”), which amended the HIPAA Standards for Privacy of Individually Identifiable Health Information (the “Privacy Rule”) and the HIPAA Security Standards Regulations (the “Security Rule”) pursuant to the HITECH ACT, extending certain HIPAA obligations to business associates and their subcontractors, and as applicable the Texas HB300 statutory requirements. The Parties agree to enter into this mutually acceptable Amendment as necessary to so comply.**

NOW, THEREFORE, for and in consideration of the obligations of the Parties set forth in the Agreement and this Amendment and intending to be legally bound hereby, the Covered Entity and the Business Associate agree as follows:

1. PERMITTED USES AND DISCLOSURES OF PHI

1.1 Use and Disclosure. The Business Associate shall not use or further disclose PHI other than as permitted or required by this Amendment or as Required by Law. “Protected Health Information” or “PHI” shall have the meaning given to it under the Privacy Rule, 45 C.F.R. §160.103, but shall be limited to the information created, received or maintained by the Business Associate from or on behalf of the Covered Entity.

1.2 Services. Except as otherwise limited by this Amendment, the Business Associate may use or disclose the PHI necessary to perform the Services for, or on behalf of the Covered Entity as specified in the Agreement provided that such use or disclosure would not violate the Privacy Rule if done by the Covered Entity. To the extent that the Business Associate is carrying out any of the Covered Entity’s obligations under the Privacy Rule pursuant to the terms of the Agreement or this Amendment, the Business Associate shall comply with the requirements of the Privacy Rule that apply to the Covered Entity in the performance of such obligation(s). All other uses not authorized by this Amendment are prohibited.

1.3 Business Activities of the Business Associate. Unless otherwise limited herein, the Business Associate may:

a. Use PHI for the Business Associate’s proper management and administration, and to carry out any of its legal responsibilities.

b. Disclose PHI to third parties for the purpose of the Business Associate’s proper management and administration, and to carry out any of its legal responsibilities; provided that:

(i) Such disclosures shall only be made if (1) Required by Law, or (2) if the Business Associate obtains reasonable assurances from the third party to whom the information is disclosed that it shall be held confidentially, and be used or further disclosed only as Required by Law or the purpose for which it was disclosed to that third party; and

(ii) The third party shall notify the Business Associate of any instances of which it is aware that the confidentiality of the information has been breached. Upon receiving such notice, the Business Associate shall notify the Covered Entity of such breach of confidentiality in accordance with Section 2.1(e) herein.

c. Provide data aggregation services related only to the Covered Entity's Health Care Operations as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B). Under no circumstances shall the Business Associate disclose the Covered Entity's PHI to another covered entity to whom the Business Associate also provides data aggregation services without the Covered Entity's express authorization.

d. De-identify any and all PHI provided that the de-identification conforms to the requirements of 45 C.F.R. §164.514(b). De-identified information does not constitute PHI and is not subject to the terms of this Amendment.

2. **RESPONSIBILITIES OF THE PARTIES WITH RESPECT TO PHI**

2.1 **Responsibilities of the Business Associate.** With regard to its use and/or disclosure of PHI and the privacy and security of PHI, the Business Associate hereby agrees to do the following:

a. **Appropriate Safeguards.**

(i) The Business Associate shall use appropriate safeguards and shall comply with the Security Rule with respect to Electronic PHI, to prevent the use and disclosure of PHI other than as provided by the Agreement and this Amendment.

b. **Sanctions.** The Business Associate shall establish and implement procedures to sanction its employees who violate the provisions of this Amendment.

c. **Mitigation.** The Business Associate shall mitigate, to extent practicable, any harmful effects known to Business Associate of a use or disclosure of PHI that is not permitted by this Amendment.

d. **Agents and Subcontractors.** In accordance with 45 C.F.R. §§ 164.502(e)(1)(ii) and 164.308(b)(2), the Business Associate shall require all of its agents and subcontractors that create, receive, maintain, transmit, use, or have access to the Covered Entity's PHI to agree, in a writing substantially the same as this Amendment, to no less restrictive conditions and requirements that apply to the Business Associate through this Amendment. The Business Associate shall also ensure that any agent, including a subcontractor, to whom it provides electronic PHI agrees to implement reasonable and appropriate safeguards to protect that information.

e. **Reporting.**

(i) The Business Associate shall report to the Covered Entity any use or disclosure of PHI not permitted under this Amendment, Breach of Unsecured PHI or Security Incident, without unreasonable delay, and in any event no more than five (5) business days following discovery; provided, however, that the Parties acknowledge and agree that this Section constitutes notice by the Business Associate to the Covered Entity of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which notice to the Covered Entity by Business Associate shall be required only upon request. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of PHI. The Business Associate's notification to the Covered Entity of a Breach shall include: (i) the identification of each individual whose Unsecured PHI has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the Breach; and (ii) any particulars regarding the Breach that the Covered Entity would need to include in its notification, as such particulars are identified in 45 C.F.R. § 164.404.

(ii) To the extent that any such reportable occurrence involves a Breach of Unsecured PHI, the Business Associate shall provide notice to impacted individuals, the media and the Secretary in the time and manner required by 45 C.F.R. §§ 164.404, 164.406 and 164.408. Prior to providing any such notice, the Business Associate shall notify the Covered Entity of its intention to do so, and provide the Covered Entity with the

opportunity to review the notice. The Business Associate shall maintain complete records regarding the Breach, the determination of whether notice is required and the issuance of the notice (including the recipients and content of such notice), and upon request, shall make such records available to the Covered Entity.

(iii) Notwithstanding subsection (ii) above, upon the discovery of such Breach, the Business Associate shall immediately notify the Covered Entity (within five (5) business days), and the Covered Entity may, in its sole discretion, opt to take over the HIPAA Final Rule notification of Breach responsibilities. If the Covered Entity opts to do so, without unreasonable delay and in no case later than thirty (30) calendar days after discovery of the Breach, the Business Associate shall provide the following information to the Covered Entity: (1) the identity of each individual whose Unsecured PHI has been, or is reasonably believed by the Business Associate to have been, accessed, acquired, or disclosed during the Breach, and (2) any particular information regarding the Breach that the Covered Entity would need to include in its notification, with such particular information identified in 45 C.F.R. § 164.404. The Business Associate shall also cooperate with the Covered Entity to conduct any risk assessment necessary to determine whether notification of Breach is required, maintain any records related to such Breach and timely provide such records to the Covered Entity.

(iv) Any annual Breach notification to the Secretary, as required under 45 C.F.R. § 164.408(c), shall be provided by the Business Associate, unless the Covered Entity notifies the Business Associate that it will provide such notice. Within thirty (30) days after the close of the calendar year, the Business Associate shall notify the Covered Entity if it is required to provide annual Breach notification to the Secretary, and if so, it shall provide to the Covered Entity for its timely review a copy of the annual Breach notification before it is provided to the Secretary. The Business Associate shall maintain complete records related to any such annual notification, and, upon request, timely make such records available to the Covered Entity.

f. **Access to Internal Practices.** At the request of, and at the time and in the manner designated by the Covered Entity or the Secretary, the Business Associate shall make its internal practices, books and records (including policies and procedures, and PHI) relating to the use and/or disclosure of PHI available to (i) the Covered Entity and its representatives for the purpose of assessing the Business Associate's compliance with this Amendment and/or the Covered Entity's compliance with the Privacy Rule, or (ii) the Secretary for purposes of the Secretary determining the Covered Entity's compliance with the Privacy Rule.

g. **Access to PHI.** The Business Associate shall make an individual's PHI available for inspection and copying in accordance with 45 C.F.R. §164.524. Further, within ten (10) days of the Business Associate's receipt of the Covered Entity's request, the Business Associate shall provide the Covered Entity with the PHI requested by an individual pursuant to 45 C.F.R. § 164.524. Alternatively, at the Covered Entity's request, the Business Associate shall provide an individual with access to his/her PHI in the time and manner designated by the Covered Entity.

h. **Amendments to PHI.** The Business Associate shall make an individual's PHI available for amendment and shall incorporate any amendments to the PHI in accordance with 45 C.F.R. §164.526. Further, within twenty (20) days of the Business Associate's receipt of the Covered Entity's request, the Business Associate shall provide the Covered Entity with the PHI that an individual seeks to amend pursuant to 45 C.F.R. §164.526.

i. **Accounting of Disclosures.** The Business Associate shall make available the information required to provide an accounting of disclosures to an individual pursuant to 45 C.F.R. §164.528. Further, at the Covered Entity's request, within twenty (20) days of the Business Associate's receipt of the Covered Entity's request, the Business Associate shall provide the Covered Entity with such information. To fulfill this obligation the Business Associate agrees to document those disclosures of PHI and related information that would be necessary for the Covered Entity to respond to an individual's request for an accounting of disclosures.

j. **Restrictions/Alternatives.** The Business Associate shall abide by any arrangements that the Covered Entity has made with an individual regarding restricting the use or disclosure of the individual's PHI, or providing the individual with confidential communications of PHI by alternative means or at an alternative location pursuant to 45 C.F.R. §164.522.

k. **Minimum Necessary.** The Business Associate (and its agents or subcontractors) shall request, use and disclose the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure in accordance with 45 C.F.R. § 164.502(b). The Business Associate shall implement access controls that enable authorized users to access the minimum necessary PHI needed to perform job functions. Rights and/or privileges should be granted to authorized users based on a set of access rules that the Covered Entity is required to implement as part of 45 C.F.R. § 164.308(a)(3) and 45 C.F.R. § 164.308(a)(4).

2.2 **Responsibilities of the Covered Entity.**

a. **Notification Requirement.** With regard to the use and/or disclosure of PHI by the Business Associate, the Covered Entity hereby shall:

(i) Provide the Business Associate with its Notice of Privacy Practices (the “Notice”) that the Covered Entity provides to its participants in accordance with 45 C.F.R. § 164.520, as well as any changes to or limitations in such Notice to the extent that the changes or limitations affect the Business Associate’s use or disclosure.

(ii) Inform the Business Associate of any changes in, or revocation of, an authorization provided to the Covered Entity by an individual pursuant to 45 C.F.R. § 164.508, if such changes or revocation affect the Business Associate’s permitted or required uses and disclosures.

(iii) Inform the Business Associate of any amendments to PHI that the Covered Entity has agreed to under 45 C.F.R. § 164.526 that relate to PHI upon which the Business Associate relies to perform the Services.

(iv) Notify the Business Associate of any arrangements the Covered Entity has agreed to that restrict disclosures or provide individuals with confidential communications pursuant to 45 C.F.R. § 164.522 that may impact on the use and disclosure of PHI by the Business Associate.

b. **No Impermissible Requests.** The Covered Entity shall not request that the Business Associate use or disclose PHI in any manner that would not be permissible under the Privacy Rule if done by the Covered Entity, except as permitted by Section 1.3(a),(b) and (c) above.

3. **STANDARD TRANSACTIONS AND CODE SETS.** Each time the Business Associate conducts in whole or part for or on behalf of the Covered Entity, using Electronic Media, a Transaction for which a Standard has been adopted or established under 45 C.F.R. part 162, the Business Associate shall, and shall require any agent or subcontractor of the Business Associate involved with the conduct of such Transaction to, conduct such Transaction as a Standard Transaction and otherwise comply with 45 C.F.R. part 162 and in accordance with 45 C.F.R. Integrity, Mechanism to Authenticate Electronic Protected Health Information § 164.312(c)(1)/. 45 C.F.R. Transmission Security, Integrity Controls Encryption § 164.312(e)(1).

4. **BUSINESS CONTINUITY.** The Covered Entity shall request that the Business Associate establish Contingency strategies for recovering, securing and protecting PHI during a general disaster or disruption of critical business functions pursuant to 45 C.F.R. Contingency Plan (a)(7),

5. **TERMS AND TERMINATION**

5.1 **Term.** This Amendment shall become effective on the Effective Date and shall continue in effect until all obligations of the Parties have been met, unless terminated as provided herein. This Amendment shall automatically terminate without any further action of the Parties upon the termination or expiration of the Agreement.

5.2 Termination for Cause by Covered Entity. If the Covered Entity determines that the Business Associate has breached a material term of this Amendment, the Covered Entity shall:

a. Provide the Business Associate with thirty (30) days written notice of an alleged material breach, and afford the Business Associate an opportunity to cure the alleged material breach upon mutually agreeable terms. Nonetheless, in the event that mutually agreeable terms cannot be achieved within fifteen (15) days, the Business Associate shall cure said breach to the satisfaction of the Covered Entity within fifteen (15) days or the Covered Entity may terminate the Amendment and the Agreement.

b. Immediately terminate this Amendment and the Agreement, if the Business Associate has breached a material term of this Amendment and cure is not possible.

5.3 Termination for Cause by the Business Associate. If the Business Associate knows of a pattern of activity or practice of the Covered Entity that constitutes a material breach or violation of this Amendment, the Business Associate shall provide the Covered Entity with a reasonable opportunity to cure the breach or terminate this Amendment and the Agreement if cure is not feasible.

5.4 Effect of Termination.

a. Except as provided herein, upon termination of this Amendment, the Business Associate shall return or destroy all PHI and not retain any copies of such PHI in any format, if it is feasible to do so.

b. If the Business Associate determines that returning or destroying PHI is infeasible, the Business Associate shall notify the Covered Entity in writing of the conditions that make return or destruction infeasible.

c. With regard to any PHI that is not returned or destroyed at the termination of this Amendment, the Business Associate shall extend the protections of this Amendment to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for as long as the Business Associate maintains such PHI. In addition, the Business Associate shall maintain the PHI in accordance with the records retention requirements under the Privacy Rule and Security Rule and the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

d. These provisions also apply to PHI that is in the possession of the Business Associate's subcontractors or agents.

6. INDEMNIFICATION. Each Party agrees to indemnify, defend and hold harmless the other Party and the other Party's respective employees, directors, officers, agents, subcontractors, or other members of its workforce, each of the foregoing hereinafter referred to as "a Party," against all actual and direct losses suffered by the Indemnitee Party and all liability to third parties arising from or in connection with any breach of this Amendment or of any warranty hereunder or from any negligence or wrongful acts or omissions, including failure to perform its obligations under the Privacy Rule, the Standard Transactions and Code Sets Regulations, the Security Rule or HITECH by the Indemnitor Party. Accordingly, on demand, the Indemnitor Party shall reimburse the Indemnitee Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) that may for any reason be imposed upon the Indemnitor Party by reason of any suit, claim, action, proceeding or demand by any third party that results from the Indemnitee Party's breach hereunder. This provision shall survive the expiration or termination of this Amendment for any reason.

7. MISCELLANEOUS

7.1 Definitions. All terms used in this Amendment shall have the same meaning as those terms as set forth in 45 C.F.R. parts 160, 162 and 164.

7.2 **Regulatory References.** A reference in this Amendment to a section in the Privacy Rule, the Standard Transactions and Code Sets Regulations, the Security Rule or the HIPAA Final Rule means the section as in effect or as amended, and for which compliance is required.

7.3 **Injunctive Relief.** The Business Associate expressly agrees that a breach or threatened breach of any provision of this Amendment by the Business Associate, any agent of the Business Associate or employee of the Business Associate is highly likely to cause significant, irreparable harm to the Covered Entity and that the Covered Entity shall be entitled to temporary, preliminary and/or permanent injunctive relief to protect its interests and the interests of affected individuals; provided, however, that no specification of a particular legal or equitable remedy is to be construed as a waiver, prohibition, or limitation of any legal or equitable remedies in the event of a breach hereof.

7.4 **Survival.** The provisions of this Amendment shall survive the expiration or any termination of the term of the Agreement to the extent that the Business Associate continues to maintain PHI.

7.5 **Interpretation.** Any ambiguity in this Amendment shall be resolved to permit compliance with the Privacy Rule, the Standard Transactions and Code Sets Regulations, the Security Rule and HIPAA Final Rule.

7.6 **Amendments; Waiver.** This Amendment may not be modified, nor shall any provision hereof be waived or amended, except in a writing duly signed by authorized representatives of the Parties. The Parties agree to take such action as is necessary to amend this Amendment from time to time as is necessary for compliance with the requirements of or conform to any changes in the Privacy Rule, Standard Transactions and Code Sets Regulations, the Security Rule or the HIPAA Final Rule. A waiver with respect to one event shall not be construed as continuing, or as a bar to or waiver of any right or remedy as to subsequent events.

7.7 **Relation to Agreement.** With the exception of the terms and conditions set forth in this Amendment, all other terms and conditions of the Agreement shall remain unaltered and in full force and effect. If there is any conflict between the terms of this Amendment and the Agreement, this Amendment shall govern.

7.8 **No Third Party Beneficiaries.** Nothing express or implied in this Amendment is intended to confer, nor shall anything herein confer, upon any person other than the Parties and the respective successors or assigns of the Parties, any rights, remedies, obligations, or liabilities whatsoever.

7.9 **Counterparts; Facsimiles.** This Amendment may be executed in any number of counterparts, each of which shall be deemed an original. Facsimile copies hereof shall be deemed to be originals.

7.10 **Disputes.** If any controversy, dispute or claim arises between the Parties with respect to this Amendment, the Parties shall make good-faith efforts to resolve such matters informally.

7.11 **Notices.** Any notices to be given hereunder to a Party shall be made via U.S. mail or express courier to such Party's address given below, and/or (other than for the delivery of fees) via facsimile to the facsimile numbers listed below.

If to the Business Associate, to:

CorVel Corporation
2010 Main Street Suite 600
Irvine, CA 92614
Attention: Sharon O'Connor, Director of Legal Services
Fax: (949) 851-1469

If to the Covered Entity, to:

City of Durham
Finance Department, Risk Management
Attn: Glenn LeGrande, Risk Manager
101 City Hall Plaza, Annex
Durham, NC 27701-3329
The fax number is (919) 560-1151
Email: Glenn.LeGrande@durhamnc.gov

Each Party named above may change its address and that of its representative for notice by the giving of notice thereof in the manner herein-above provided.

7.12 **Business Associate's Security Awareness**. In accordance with 45 C.F.R. §§ 164.308(a)(5), Business Associate warrants and represents that Business Associate has in place an internal Security Awareness training program which is attested to and kept in compliance on an annual basis.

7.13 **Business Associate's Computer Use Policy**. Business Associate warrants and represents that Business Associate has in place an internal Computer Use Policy which is attested to and kept in compliance on an annual basis.

By signing below, each party acknowledges his/her agreement with the terms and conditions of this Agreement and represents and certifies that he/she is authorized to sign on behalf of and to bind each of the respective signatories to all of the terms and conditions of this Agreement as of the Effective Date.

CORVEL ENTERPRISE COMP, INC. :

By: _____
Name: _____
Title: _____

Date: _____

CITY OF DURHAM:

By: _____
Name: _____
Title: _____

Date: _____